

VZCZCXRO7821  
OO RUEHBC RUEHDE RUEHKUK RUEHMOS  
DE RUEHDM #1262/01 0811108  
ZNY CCCCC ZZH  
O 221108Z MAR 06  
FM AMEMBASSY DAMASCUS  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7847  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 DAMASCUS 001262

SIPDIS

SIPDIS

NEA/ELA  
NSC - EABRAMS/MSINGH  
TREASURY FOR GLASER/LEBENSON  
EB/ESC/TSF FOR SALOOM

E.O. 12958: DECL: 03/20/2016  
TAGS: [ECON](#) [ETRD](#) [ETTC](#) [SY](#)  
SUBJECT: ENSURING EXPORT CONTROL ENFORCEMENT UNDER THE SAA

REF: A. 05 DAMASCUS 6384  
[1](#)B. DAMASCUS 1083

Classified By: CDA Stephen Seche, Reasons 1.4 b/d

[1](#)1. (SBU) Summary: Syrian businessmen regularly report on the ease with which their fellow businessmen illegally import U.S. commodities with seeming impunity, as well as express concerns that the USG's lack of enforcement of the economic sanctions imposed under the SAA are hurting those that choose to play by the rules. Syrian business contacts assert that if the USG is going to declare exports to Syria illegal, it should enforce its law. By not doing so, contacts contend, the USG is playing into the SARG's hand because the SARG routinely forces businesses to operate outside the law in order to gain leverage over them. To promote greater receptivity to existing USG sanctions on the part of the Syrian business community, contacts urge a two-pronged approach to ensure export-control enforcement. First, the USG should demonstrate that it investigates and prosecutes known instances of sanctions violations. In the same vein, it should make Syrian business contacts who legitimately import U.S. products aware that evidence they provide on sanctions-busting activities will assist in the creation of a body of evidence that can be used against violators and deter illegal competition. Second, to ensure compliance with U.S. export regulations and prevent unlawful use of commodities, especially potential dual-use technology, timely and effective post-shipment verifications of legally imported commodities should be conducted. End summary.

[1](#)2. (C) Syrian businessmen continue to regularly report on the relative ease of circumventing trade sanctions imposed under the Syria Accountability Act (SAA), as well as express their concerns about the USG's willingness and ability to enforce its law. The constant refrain heard from the business community is that U.S. sanctions are ineffective and are not impacting the SARG, but rather are most directly impacting legitimate business transactions. Businessmen legally importing U.S. products contend that they are left with only two options to maintain the financial viability of their companies: look to other markets in Asia and Europe to acquire goods of poorer quality than their U.S. counterparts, or resort to importing U.S. products from third countries in

order to fulfill contractual obligations, avoid performance bond penalties, and prevent being included on the SARG's tendering black list, (ref A). Furthermore, business contacts have expressed concern that second- and third-tier companies have continued to gain a stronger foothold in the Syrian market since the Syrian law protecting the exclusivity of agents was abolished when the SAA was imposed.

-----  
Violation of Trade Sanctions 101  
-----

15. (C) Post contacts have continually offered anecdotal evidence on means by which U.S. trade sanctions are circumvented. Abdul Ghani Attar, Executive Director of Attar Brothers Trading and Marketing and exclusive agent for IBM, told us that low tech U.S.-origin (or U.S. component) equipment - x-ray tubes, personal computers, defibrillators, and consumable supplies ) are flowing into Syria from a number of third countries, most notably Dubai. He admits that it is impossible for the USG to fully enforce the SAA trade sanctions, but believes that the USG should focus its enforcement energies on more technologically-sophisticated items, such as mid-range computer servers with U.S. components, that are entering Syria without an export license. While other sources have previously told us that the items that are difficult to illegally import are complex technologies, specifically machines with traceable serial numbers, Attar stated that one common tactic for companies wanting to export these items is to 'lose the market trace' on the commodities, that is,

DAMASCUS 00001262 002 OF 003

not track the products with serial numbers to the final end-user.

6.(C) A. Safouh Hosch, the exclusive agent for Boston Scientific products, said that it is common for Syrian hospitals to obtain more products than needed under their export licenses and sell the remainder to other hospitals, including banned military hospitals. Additionally, he told us that hospitals in Eastern Europe are selling off overstock of U.S. medical supplies to Syria as well. Hosch says that hospitals like Tishreen military hospital sometimes require patients to obtain U.S. medical supplies from local suppliers before medical treatment is authorized. Hosch believes this practice puts businessmen who want to comply with U.S. sanctions law in the morally compromising position of breaking U.S. law or refusing to assist ill patients needing supplies.

17. (SBU) Importers from a variety of sectors have stated that distributors in other regions such as Europe or South Africa are often solicited to sell U.S. products to Syria on a cash-only basis. One source told us that he can easily purchase U.S. commodities, specifically medical spare parts, from the Internet and have them shipped to Syria through a third country.

18. (C) Contacts emphasize repeatedly that given how the trade sanctions under the SAA are currently implemented and enforced, the SARG has not and will not be impacted by them. Additionally, they comment that the SARG itself continues to obtain illegally imported U.S. products. Attar told us that after SAA sanctions were imposed, his company withdrew its bid to supply the Commercial Bank of Syria (CBS) with IBM computers, yet the CBS easily procured U.S. computers from another supplier. Tamer Khirdaji, Sales Manager for a U.S. medical supplies company, stated that a local supplier ( Ematic Company ) bid on a tender that

would supply a military hospital with a Varian linear accelerator, a dual-use item. He further admitted that a Syrian agent for GE products recently bid on a SARG contract to provide two MRI systems, at least one of which would be used by a military hospital in Aleppo. Allegedly the MRI systems would be shipped from the GE distributor in France without an export license. Lastly, Hosch, exclusive agent for Boston Scientific, told us that within the past month he was out-bid on a SARG Ministry of Health tender for medical equipment for the al-Basel Heart Institute by a competitor offering the latest models of the same equipment. The competitor was able to offer the products at a substantially cheaper price because he did not invest the necessary time and money into pursuing an export license. Hosch says the illegal import of Boston Scientific products not only is a threat to his market share, but also a threat to the consumer because Boston Scientific cannot guarantee, recall, or trace the products.

-----  
Ensuring Export Control Enforcement Under the SAA: A  
Two-Pronged Approach  
-----

¶9. (SBU) One of the mechanisms by which the USG can ensure export enforcement control is by taking action against and publicly naming some of the most egregious violators of sanctions. Syrian business contacts, though able to supply ample anecdotal evidence of sanctions violations by competitors, are often hesitant to provide us with more concrete evidence needed for prosecution because they fear retribution and are not convinced that reporting known U.S. sanctions violations will actually result in penalties for violators. By demonstrating to Syrian business contacts who want to legitimately import U.S. products that their assistance in enforcing sanctions would deter competing illegal imports, it would affirm that the U.S. both encourages legitimate trade and takes seriously the sanctions it imposes.

¶10. (SBU) The second mechanism by which the USG can

DAMASCUS 00001262 003 OF 003

ensure compliance with its export regulations toward Syria is through timely and effective post-shipment verifications (PSV) of legally imported U.S. products. In the past six months, Post has been asked to conduct verifications solely for commodities shipped in 2002 or 2003, well before SAA sanctions were imposed. In many instances, the commodities ) such as computer or telecommunications equipment - have either become technologically obsolete or have been consumed (e.g. medical supplies). As a recent example, Post was asked to conduct a PSV of a consumable product, potassium cyanide, shipped to a public pediatric hospital in October 2003. Due to the time-gap between the initial shipment and the PSV request, the hospital completely utilized the commodity and Post was unable to verify that it had been used legitimately. Additionally, Post learned that the supplier had sold potassium cyanide, a precursor for chemical agents, to other end-users not permitted in his export license and that he still maintains 30 unsold containers of the chemical agent in his warehouse (ref B).

¶11. (SBU) Post is aware that there is a backlog of outstanding PSV's for Syria which were intended to be completed by a Bureau of Industry and Security (BIS) Sentinel Team from USDOC. According to contacts at BIS, three separate BIS Sentinel visits have been planned in recent years to complete the outstanding PSV's, however all of the trips were ultimately cancelled. As a result, since SAA sanctions were

imposed, trained BIS criminal investigators have not traveled to Syria to assess whether the end-use of allowable commodities is legitimate, evaluate whether commodities have been diverted to other end-users, or collect evidence on potential sanctions violations. While BIS hopes to send a Sentinel Team in the middle of this year, the trip has not yet been approved.

¶12. (C) Comment: Without enforcement of the SAA trade sanctions, Syrian businessmen who play by the rules are being run out of business by those that openly circumvent them. For sanctions to be most effective, they should send the opposite message: that sanctions will be enforced and violators will pay a price for their actions. Additionally, a reduction in the backlog of outstanding PSV's would discourage what we suspect to be an increasing trend of false end-users and tighten our counter-proliferation efforts in a designated state sponsor of terrorism. Post strongly encourages the visit of a BIS Sentinel Team with investigative capabilities that could follow-up on some of the anecdotal evidence that we have received. End comment.  
SECHE